


AR04





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DIRECTORY

Officers

Robert Scolnick
*Chairman of the Board and
Chief Executive Officer*

Charles Sherkin
President

James Dow
Vice President, Branch Administration

John McClure
Vice President, Sales

Earl Williams
Vice President, Manufacturing

Joseph Frieberg
Secretary

Board of Directors

Daniel Adams
Peter Alley, C.A.
Monty Bridgman
Donald Carr, Q.C.
Joseph Frieberg
William Perdriau
Robert Scolnick
Charles Sherkin
George Watt
Donald Wilkins

Transfer Agent and Registrar

Guaranty Trust Company of Canada

Auditors

Wm. Eisenberg & Co.
Toronto, Canada

Head Office

275 Belfield Road
Rexdale, Ontario
M9W 5C6

HIGHLIGHTS

	<u>1977</u>	<u>1976</u>
Sales	<u>\$31,894,000</u>	<u>\$28,517,000</u>
Earnings before income taxes and extraordinary income	<u>802,000</u>	136,000
Income taxes	<u>280,000</u>	64,000
Earnings before extraordinary income	<u>522,000</u>	<u>72,000</u>
Basic earnings (loss) per special share before extraordinary income	<u>12.7¢</u>	<u>(2.5¢)</u>
Extraordinary income	<u>207,000</u>	<u>62,000</u>
Net earnings	<u>729,000</u>	<u>134,000</u>
Basic earnings per special share after extraordinary income	<u>21.0¢</u>	Nil
Cash flow from operations	<u>1,980,000</u>	<u>1,396,000</u>
Total assets	<u>22,308,000</u>	21,555,000
Working capital	<u>4,405,000</u>	3,756,000
Long term debt	<u>4,944,000</u>	5,358,000
Net worth	<u>5,311,000</u>	4,582,000
Working capital ratio	<u>1.39:1</u>	1.34:1
Capital expenditures	<u>1,257,000</u>	942,000
Depreciation	<u>1,365,000</u>	1,310,000

TO OUR SHAREHOLDERS

1977 was a year of significant progress for United Tire. The Company posted strong increases in sales and earnings despite the weak economic conditions which prevailed in many of the markets which United Tire serves. The forestry, mining and construction industries showed signs of recovering from their recession lows but did not reach the level of activity previously experienced.

Sales for the year ended December 31, 1977 increased to \$31,894,000 from \$28,517,000 in 1976, and earnings were \$522,000 compared with \$72,000 in 1976.

One of the most noteworthy accomplishments of the year was the continued success achieved by the Company in penetrating the United States and other export markets. Sales in these highly competitive markets have doubled since 1975 and currently represent approximately 30% of the Company's business. In addition, sales to original equipment manufacturers continue to show substantial increases and United Tire has become an original equipment supplier to some of the world's largest manufacturers of off-the-road vehicles.

The Company continues to face intense competition from the multinational American and Japanese tire manufacturers. For this reason, management must constantly strive to increase productivity, reduce production costs and improve the quality of the Company's products. The achievement of these goals is essential to enable the Company to compete successfully with foreign manufacturers.

In 1978 United Tire will continue to expand and take advantage of significant market opportunities. Our marketing strategy includes the development of a programme whereby United Tire will enter into partnerships with established off-the-road tire dealers throughout the United States. It is anticipated that this programme will result in a network of dealers throughout the United States which will expand United Tire's distribution within those regions where there is a strong demand for its products and services.

Management anticipates a further substantial increase in sales in 1978 together with a corresponding increase in earnings. Sales and earnings for the first quarter of this year have reached record levels.

However, the Company's horizons extend well beyond 1978. The maximization of earnings under the prevailing economic conditions of each year together with the building of a solid base for future growth remain prime objectives of management. The Company's accomplishments during the last two years give greater reason than ever for optimism about the future.

We thank you, our shareholders, for your faith in the Company, our customers for their support and confidence, and our employees for their loyalty and dedication.

Robert Scolnick
Chairman

Charles Sherkin
President

May 15, 1978

UNITED TIRE & RUBBER CO. LIMITED

Consolidated Statement of Earnings

For the year ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Sales	<u>\$31,894,000</u>	<u>\$28,517,000</u>
Cost of sales and expenses		
Cost of sales, operating and administrative expenses before the undernoted items:	<u>28,727,000</u>	25,936,000
Depreciation	<u>1,365,000</u>	1,310,000
Interest on long term debt	<u>569,000</u>	579,000
Other interest	<u>431,000</u>	<u>556,000</u>
	<u>31,092,000</u>	<u>28,381,000</u>
Earnings before income taxes and extraordinary income	<u>802,000</u>	136,000
Income taxes	<u>280,000</u>	<u>64,000</u>
Earnings before extraordinary income	<u>522,000</u>	72,000
Extraordinary income — reduction of income taxes on application of prior year's loss	<u>207,000</u>	<u>62,000</u>
Net earnings	<u>\$ 729,000</u>	<u>\$ 134,000</u>
Basic earnings (loss) per Class A and Class B special share after allocating annual cumulative dividends on preference shares (note 6e)		
Before extraordinary income	12.7¢	(2.5¢)
After extraordinary income	21.0¢	Nil
Fully diluted earnings (loss) per Class A and Class B special share		
Before extraordinary income	12.7¢	(2.5¢)
After extraordinary income	18.1¢	Nil
Average number of Class A and Class B special shares outstanding	<u>2,509,233</u>	2,508,700

Consolidated Statement of Retained Earnings

For the year ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Deficit, beginning of year	(\$ 11,000)	(\$115,000)
Net earnings for year	<u>729,000</u>	<u>134,000</u>
	<u>718,000</u>	19,000
Share issue expense	<u>—</u>	<u>30,000</u>
Retained earnings (deficit), end of year	<u>\$718,000</u>	<u>(\$ 11,000)</u>

The accompanying notes are an integral part of the consolidated financial statements.

UNITED TIRE & RUBBER CO. LIMITED

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Source of working capital		
Operations		
Earnings before extraordinary income	\$ 522,000	\$ 72,000
Charges not requiring an outlay of funds:		
Depreciation	1,365,000	1,310,000
Amortization of financing costs	18,000	15,000
Gain on disposal of fixed assets	(28,000)	—
Deferred income taxes	103,000	(1,000)
	<u>1,980,000</u>	<u>1,396,000</u>
Other		
Extraordinary income	207,000	62,000
Proceeds from disposal of fixed assets	89,000	218,000
Decrease in deferred interest	61,000	31,000
Increase in long term debt	—	762,000
Issue of second preference shares, Series A	—	1,000,000
	<u>2,337,000</u>	<u>3,469,000</u>
Use of working capital		
Purchase of fixed assets	1,257,000	942,000
Financing costs	17,000	17,000
Share issue expense	—	30,000
Decrease in long term debt	414,000	—
	<u>1,688,000</u>	<u>989,000</u>
Increase in working capital	<u>\$ 649,000</u>	<u>\$2,480,000</u>
Working capital, end of year	\$4,405,000	\$3,756,000
Working capital, beginning of year	<u>3,756,000</u>	<u>1,276,000</u>
Increase in working capital	<u>\$ 649,000</u>	<u>\$2,480,000</u>

The accompanying notes are an integral part of the consolidated financial statements.

UNITED TIRE & RUBBER CO. LIMITED

Consolidated Balance Sheet

December 31, 1977

ASSETS

Current assets

Bank	\$ 424,000	\$ —
Accounts receivable	6,835,000	7,110,000
Income taxes recoverable	10,000	15,000
Marketable securities, at cost which approximates market	28,000	28,000
Inventories (note 2)	8,166,000	7,367,000
Prepaid expenses	339,000	298,000
	<u>15,802,000</u>	<u>14,818,000</u>

Fixed assets (note 3)

Land, buildings, equipment and leasehold improvements	13,757,000	12,624,000
Less: Accumulated depreciation	<u>7,378,000</u>	<u>6,076,000</u>
	<u>6,379,000</u>	<u>6,548,000</u>

Other assets

Deferred interest	15,000	76,000
Unamortized financing costs	<u>112,000</u>	<u>113,000</u>
	<u>127,000</u>	<u>189,000</u>
	<u>\$22,308,000</u>	<u>\$21,555,000</u>

UNITED TIRE & RUBBER CO. LIMITED

Consolidated Balance Sheet

December 31, 1977

LIABILITIES

Current liabilities

Bank indebtedness (note 4)	\$ 5,224,000	\$ 4,884,000
Accounts payable and accrued liabilities	5,160,000	5,050,000
Note payable	—	135,000
Current portion of long term debt	1,013,000	993,000

	<u>11,397,000</u>	<u>11,062,000</u>
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Long term debt (note 5)	<u>4,944,000</u>	<u>5,358,000</u>
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Deferred income taxes	<u>656,000</u>	<u>553,000</u>
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SHAREHOLDERS' EQUITY

Capital stock (note 6)

First preference shares, Series A	1,479,000	1,479,000
Second preference shares, Series A	1,000,000	1,000,000
Class A and Class B special shares	2,114,000	2,114,000

	<u>4,593,000</u>	<u>4,593,000</u>
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Retained earnings (deficit)	<u>718,000</u>	(<u>11,000</u>)
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	<u>5,311,000</u>	<u>4,582,000</u>
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	<u>\$22,308,000</u>	<u>\$21,555,000</u>
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The accompanying notes are an integral part of the consolidated financial statements.

On Behalf of the Board

Robert Scolnick, *Director*

Charles Sherkin, *Director*

UNITED TIRE & RUBBER CO. LIMITED

Notes to the Consolidated Financial Statements

December 31, 1977

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements include the accounts of United Tire & Rubber Co. Limited and its subsidiary companies.

b) Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined using the first in, first out method.

c) Fixed Assets and Depreciation

Fixed assets are valued at cost and are depreciated on the straight-line basis at rates sufficient to amortize the cost of the assets over their estimated useful life as follows:

Buildings	20 years
Equipment	5 to 10 years
Leasehold improvements	Term of lease

d) Financing Costs

These costs are amortized over the term of the financing. Amortization for the current year amounted to \$18,000 (1976 -- \$15,000).

e) Income Taxes

Income taxes are accounted for using the tax allocation method whereby the provision for income taxes relates to the accounting income for the year. Accumulated tax reductions applicable to future years resulting from claiming capital cost allowances and other deductions for tax purposes in excess of depreciation and other charges recorded in the accounts are shown on the balance sheet as "Deferred income taxes".

f) Research and Development

Expenses associated with research and development are written off in the year in which they are incurred.

g) Pension Plan

Pension costs charged against earnings include amounts paid in respect of current and past services, with past service costs being funded over a period of fifteen years ending in 1989.

h) Foreign Exchange

Transactions in foreign currencies are recorded at exchange rates prevailing at the transaction dates and current assets and current liabilities are translated into Canadian dollars at exchange rates prevailing at balance sheet date.

i) Earnings Per Class A and Class B Special Share

Earnings per special share are calculated using the weighted average number of shares outstanding during the year.

For the purpose of calculating basic earnings per special share, earnings have been reduced by \$204,000 being the annual cumulative dividends on all preference shares.

Fully diluted earnings per special share have been calculated on the assumption that all preference shares issued and all stock options and share purchase warrants outstanding at the end of the year had been converted into special shares at the beginning of the year. Earnings were increased by imputed interest after income taxes assuming that the funds derived from the exercise of

the stock options and share purchase warrants were invested to produce an annual return of 10% before income taxes. The number of special shares was adjusted to reflect the additional shares which would have resulted from the foregoing.

2. INVENTORIES

	1977	1976
Finished goods	\$6,431,000	\$5,901,000
Work-in-process	453,000	346,000
Raw materials	<u>1,282,000</u>	<u>1,120,000</u>
	<u>\$8,166,000</u>	<u>\$7,367,000</u>

3. FIXED ASSETS

	1977	1976
Land	\$ 101,000	\$ 30,000
Buildings	548,000	127,000
Equipment	12,112,000	11,561,000
Leasehold improvements	<u>996,000</u>	<u>906,000</u>
	13,757,000	12,624,000
Less: Accumulated depreciation	<u>7,378,000</u>	<u>6,076,000</u>
	<u>\$ 6,379,000</u>	<u>\$ 6,548,000</u>

4. BANK INDEBTEDNESS

Bank indebtedness includes a bank loan of \$5,110,000 payable on demand, secured by a general assignment of book debts and by a \$5,000,000 demand debenture providing a first floating charge over accounts receivable and inventories, and a floating charge over all other assets, the latter ranking behind the 10½% Sinking Fund Debentures and the 9% Debenture issued to the Ontario Development Corporation.

5. LONG TERM DEBT

	1977	1976
10½% Sinking Fund Debentures	\$2,400,000	\$2,650,000
Term bank loan	1,500,000	1,500,000
9% Debenture	114,000	155,000
9% Series A Debentures	320,000	440,000
Mortgages and finance contracts	1,571,000	1,519,000
Other long term debt	<u>52,000</u>	<u>87,000</u>
	5,957,000	6,351,000
Less: Current portion	<u>1,013,000</u>	<u>993,000</u>
	<u>\$4,944,000</u>	<u>\$5,358,000</u>

10½% Sinking Fund Debentures

The Company has outstanding \$2,400,000 of 10½% Sinking Fund Debentures due August 31, 1983, insured to the extent of 90% by the General Adjustment Assistance Board.

These debentures are secured by a fixed charge on all land, buildings and equipment of the Company and by a first floating charge on all other assets of the Company subject to the security held by the bank (notes 4 and 5). The Company has covenanted to establish a sinking fund providing for annual payments as follows:

August 31, 1978	\$ 300,000
August 31, 1979	350,000
August 31, 1980	350,000
August 31, 1981	350,000
August 31, 1982	350,000
August 31, 1983	<u>700,000</u>
	<u>\$2,400,000</u>

The debentures contain the following provisions:

- i) a prohibition against the payment of any dividends in any year if, after giving effect to such payment, shareholders' equity would be less than \$3,500,000 or working capital would be less than \$3,000,000;
- ii) a requirement for the maintenance by the Company of not less than \$3,000,000 in working capital;
- iii) a restriction on incurring additional funded debt if, after it is incurred, the ratio of long term debt to equity would exceed 1.5:1;
- iv) a limitation on capital expenditures to a maximum of \$1,000,000 per annum;
- v) specific restrictions on dividend payments on Class A and Class B special shares, remuneration of officers and lease commitments.

The debentures are accompanied by share purchase warrants entitling the bearers to purchase Class A special shares of the Company on the basis of 56.03 Class A special shares for each \$1,000 principal amount of debentures at the undernoted prices for each Class A special share:

To August 31, 1979	\$2.50
From September 1, 1979 to August 31, 1983	\$3.50

Term Bank Loan

This loan, insured to the extent of 90% by the General Adjustment Assistance Board, is payable in full on September 30, 1981 and contains the same restrictive covenants as the 10½% Sinking Fund Debentures. The loan bears interest at an annual rate which is equal to the Minimum Lending Rate from time to time established by the Canadian Imperial Bank of Commerce for Canadian dollar commercial loans plus 1½%.

The loan is secured by a fixed and floating charge debenture in the amount of \$1,500,000 constituting a fixed and specific mortgage over the Company's land, buildings and equipment now owned and hereafter acquired and a floating charge on the remaining undertaking, property and assets, both present and future, not otherwise specifically charged thereunder.

This debenture ranks behind the floating charge debenture in the amount of \$5,000,000 referred to in note 4, behind specific mortgages, and behind the 10½% Sinking Fund Debentures with respect to the charge on a subsidiary's assets.

9% Debenture

The Company's wholly-owned subsidiary, United Tire & Rubber Mfg. (Toronto) Limited, has issued to the Ontario Development Corporation a debenture secured by a fixed mortgage on all tools, machinery, equipment and chattels, as well as a floating charge on all of the subsidiary's undertaking, property and assets. This debenture matures February 15, 1980, and is repayable \$52,000 annually, including principal and interest at the rate of 9% per annum.

The Company has issued to the Ontario Development Corporation as collateral security for this indebtedness a \$400,000 9% Debenture secured by a fixed charge on specific equipment owned by the Company.

The Ontario Development Corporation has postponed its rights under both debentures in favour of the 10½% Sinking Fund Debenture holders.

9% Series A Debentures

These debentures are secured by a floating charge on the undertaking, property and assets of the Company and have been postponed and subordinated in favour of the charges created by the debentures and the

term bank loan referred to previously. The Company has outstanding \$320,000 of 9% Series A Debentures repayable as follows:

Principal Amount	Expiry Date	Annual Repayment
\$ 75,000	June 1, 1979	\$ 50,000
<u>245,000</u>	June 1, 1981	<u>70,000</u>
<u>\$320,000</u>		<u>\$120,000</u>

Mortgages and Finance Contracts

These obligations are secured by land, buildings, machinery and equipment, bear interest at an average rate of 12% per annum, and are repayable as follows:

1978	\$ 507,000
1979	385,000
1980	220,000
1981	90,000
1982	74,000
After 1982	<u>295,000</u>
	<u>\$1,571,000</u>

Other Long Term Debt

This consists of an unsecured note in the amount of \$52,000 bearing interest at the rate of 8% per annum and repayable \$17,000 semi-annually until maturity, May 1979.

6. CAPITAL STOCK

a) Authorized Share Capital

1,990,767	First preference shares, par value \$2.25 each, issuable in series of which 890,767 shares have been designated Series A
2,000,000	Second preference shares, par value \$1.25 each, issuable in series of which 800,000 shares have been designated Series A
4,009,233	Class A and Class B special shares
	Class A special shares, without par value, voting, convertible on a one-for-one basis into Class B special shares, ranking equally in all aspects with the common shares and Class B special shares
	Class B special shares, without par value, voting, convertible on a one-for-one basis into Class A special shares, ranking equally in all aspects with the common shares and Class A special shares, with dividends being paid out of tax-paid undistributed surplus
40,000	Common shares, without par value

b) Issued Share Capital

657,433	First preference shares, 7%, cumulative, Series A, each convertible into 1.107 Class A special shares	\$1,479,000
800,000	Second preference shares, 10%, cumulative, Series A, convertible on a one-for-one basis into Class A special shares	1,000,000
2,509,233	Class A and Class B special shares	<u>2,114,000</u>
		<u>\$4,593,000</u>

c) Options

The Company has reserved 125,000 Class A special shares for issue under its Employee Stock Option Plan. As at December 31, 1977, options for 95,000 Class A special shares were outstanding as follows:

Number of Shares	Option Price	Expiry Date
31,000	\$2.25	1983
3,500	2.30	1984
10,000	2.25	1985
45,500	1.25	1985
<u>5,000</u>	1.25	1987
<u>95,000</u>		

d) Warrants

The Company has reserved 168,090 Class A special shares for the exercise of warrants outstanding under the terms of the 10½% Sinking Fund Debentures.

e) Dividend Arrears

i) First Preference Shares

The Company has omitted dividends on these shares for ten quarters totalling \$259,000 (39.375¢ per share).

In addition the Company did not declare the quarterly dividend of \$26,000 due April 1, 1978. The first preference shareholders are entitled to vote and to elect one member of the Board until all arrears of dividends on all first preference shares have been paid.

ii) Second Preference Shares

The Company has omitted dividends on these shares for five quarters totalling \$130,000 (16.25¢ per share).

In addition the Company did not declare the quarterly dividend of \$25,000 due April 1, 1978. If eight quarterly dividends on these shares are in arrears, the second preference shareholders are entitled to the same rights as the first preference shareholders referred to above.

7. NET EARNINGS

Earnings before extraordinary income reflect a reduction in income taxes in the amount of \$88,000 (3.5¢ per special share) arising from the 3% inventory allowance for income tax purposes. Extraordinary income has been reduced by the same amount and thus the 3% inventory allowance has had no effect on net earnings.

Auditors' Report

To the Shareholders of
United Tire & Rubber Co. Limited

We have examined the consolidated balance sheet of United Tire & Rubber Co. Limited as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 23, 1978

8. LEASES

The aggregate minimum rentals payable (exclusive of taxes, insurance and other occupancy charges) under long term leases in effect December 31, 1977 for head office, branch and plant locations for each of the periods shown below are as follows:

1978	\$ 501,000
1979 to 1983	1,714,000
1984 to 1988	686,000
1989 to 1992	362,000

Annual rental obligations under lease contracts for vehicles and equipment amount to \$230,000.

Subsequent to the year end the Company entered into agreements to lease additional vehicles with annual rentals of \$165,000.

9. COMMITMENTS

The Company has purchased or made commitments to purchase fixed assets for delivery in 1978 amounting to \$1,600,000 of which \$1,100,000 is to be financed by the Industry Modernization for Defence Export Capital Assistance Programme referred to in note 13.

10. PENSION PLAN

The total unfunded past service liability as at December 31, 1977 as determined by independent actuaries was \$69,000.

11. INCOME TAXES

The Company has a loss carry forward of \$940,000 available to reduce its taxable income for accounting purposes in future years.

12. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration during the year to directors and senior officers of the Company as defined by The Ontario Business Corporations Act amounted to \$521,000 (1976—\$474,000).

13. SUBSEQUENT EVENT

The Government of Canada, Department of Industry, Trade and Commerce, has agreed, under the Industry Modernization for Defence Export Capital Assistance Programme, to provide financing for the acquisition of equipment in the amount of \$1,100,000 as follows:

Grant	\$ 550,000
Interest-free loan, repayable over five years	<u>550,000</u>
	<u>\$1,100,000</u>

Wm. Eisenberg & Co.
Chartered Accountants

FIVE YEAR FINANCIAL REVIEW

Operating Results

	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>
Sales	\$31,894,000	\$28,517,000	\$23,445,000	\$27,100,000	\$18,546,000
Depreciation	1,365,000	1,310,000	1,240,000	978,000	837,000
Interest	1,000,000	1,135,000	876,000	679,000	623,000
Income Taxes (Recovered)	280,000	64,000	(605,000)	1,255,000	78,000
Earnings (Loss) before Extraordinary Income	522,000	72,000	(2,005,000)	1,451,000	101,000
Extraordinary Income	207,000	62,000	—	374,000	186,000
Net Earnings (Loss)	729,000	134,000	(2,005,000)	1,826,000	287,000
Capital Expenditures	1,257,000	942,000	2,468,000	1,614,000	1,082,000
Cash Flow from Operations	1,980,000	1,396,000	(654,000)	3,102,000	960,000

Performance Measurements

Operating Return on Sales	1.6%	.3%	(8.6)%	5.4%	0.5%
Return on Total Assets	2.4%	.4%	(12.1)%	10.5%	0.8%
Return on Total Equity	11.4%	2.1%	(35.4)%	37.6%	4.7%
Return on Special Share Equity	15.1%	(3.1)%	(50.5)%	57.1%	3.3%
Working Capital Ratio	1.39	1.34	1.12	1.68	1.51
Quick Asset Ratio	.64	.64	.47	.86	.67
Working Capital/Asset Ratio	.20	.17	.07	.25	.20
Debt/Equity Ratio	.93	1.17	1.32	.73	1.12
Interest Coverage on Long Term Debt	2.4X	1.2X	(4.4X)	7.0X	1.5X

Financial Position

Working Capital	\$ 4,405,000	\$ 3,756,000	\$ 1,276,000	\$ 4,116,000	\$ 2,792,000
Accounts Receivable	6,835,000	7,110,000	4,892,000	5,170,000	3,490,000
Inventories	8,166,000	7,367,000	5,886,000	4,732,000	4,370,000
Fixed Assets (at cost)	13,757,000	12,624,000	11,929,000	9,808,000	8,193,000
Total Assets	22,308,000	21,555,000	18,967,000	16,456,000	13,871,000
Long Term Debt	4,944,000	5,358,000	4,596,000	4,128,000	4,322,000
Shareholders' Equity	5,311,000	4,582,000	3,478,000	5,661,000	3,861,000
Equity/Special Share	0.97	0.76	0.78	1.67	0.94

This is United Tire...

We design, manufacture, retread and service tires that keep the mining, forestry, construction and transportation industries moving.

That's a simple, straightforward definition of what United Tire does, and the nature of its market. We think it deserves some elaboration.

United Tire started out some 30 years ago in Toronto as a modest tire-retreading enterprise launched during the post-war surge toward recovery.

That the Company evolved into a kind of Canadian David in the midst of multinational Goliaths is a tribute to the resourcefulness of its management and, later on, to the faith of its shareholders.

Today, United Tire is the only Canadian-owned manufacturing company in the tire industry, and the Company's exports of new and retreaded tires to more than 50 countries continues to grow.

We grew to our present size because we knew what we were, corporately speaking, where we were headed, and the markets we should concentrate on.

There was some agonizing, of course, and some rethinking and restructuring along the way, but we had never strayed from our objectives: to produce demonstrably superior products that keep vehicles rolling and productive, and to offer efficient service when that becomes necessary.

The United Tire product line is a full range of new and retreaded tires for on and off-the-road vehicles, from gigantic 200-ton ore haulers to the more familiar 1/2 ton pickup trucks.

The combination of product and service is without equal in the industry, and it has been a successful and rewarding format.

The Company has expanded swiftly, particularly since 1971, with some 485 management and staff people in 24 branches in Canada and the United States.

1971 was the year the Company established the first Canadian-owned plant producing tires for off-the-road vehicles.

The new tire manufacturing plant in Cobourg, Ontario encompasses 210,000 square feet. Our research and development group in the plant perfects new designs, manufacturing techniques and compounds that keep extending the life of our tires.

The company continues to develop new tire sizes to keep up with new models of mining, forestry, construction and transportation vehicles and is actively engaged in the custom design and development of new tires for new equipment.

We are also the first company to incorporate Dupont's new Kevlar tire cord fabric as standard in a complete line of skidder tires for vehicles used in forestry operation. This fabric has definitely proven to be successful in improving the performance of tires used in these operations.

Our retreading facility in Toronto, the largest in Canada, can retread all tire sizes, for the smallest passenger cars and trucks to the largest off-the-road vehicles.

The retreading equipment used by United Tire nearly duplicates new tire manufacturing equipment, and is among the most elaborate and sophisticated machinery of its kind in the world. This allows the Company to guarantee lowest end-cost performance.

Our on-call or on-site service in all branches across Canada and the United States is linked by computer and relies on over 75 trucks and staff able to handle the largest tires, and supported by warehouses kept well stocked by a fleet of over 50 tractors and trailers.

The international demand for the products of Canada's mines and forests and the pace of heavy construction and transportation services in Canada will continue to expand.

As it grows, United Tire will grow, and make its contribution to the progress of the country.

